

INCREASED CONTRACTOR PROFITS FROM VECP

The Bureau of Reclamation is committed to achieving the highest quality and best value from every construction dollar. One way we do this is by encouraging Contractors to develop and submit Value Engineering Change Proposals.

“Value engineering attempts to eliminate, without impairing essential functions or characteristics, anything that increases acquisition, operation, or support costs.” As defined by FAR Part 48.101(a).

This information sheet tells you how to prepare and submit a Value Engineering Change Proposal and share in the savings you generate.

Value Engineering Incentive Clause

Reclamation includes the Value Engineering Incentive Clause (FAR Part 52.248-3; Value Engineering-Construction) in all contracts over \$100,000. Contracting Officers (CO's) may use the clause in lower value contracts whenever there is potential for savings. If your contract does not contain the Incentive Clause, you may request a contract modification to add it without changing the contract price or completion time.

Value Engineering includes “. . . an incentive approach in which contractor participation is voluntary and the contractor uses its own resources to develop and submit any value engineering change proposals (VECPs). The contract provides for sharing of savings and for payment of the contractor's allowable development and implementation costs” (FAR Part 48.101(b)).

Applying your firm's technical knowledge and ingenuity to the contract work can maximize profits and maintain your reputation for innovation and quality.

We believe that our Contractors are great sources of ideas because of their:

- ★ access to up-to-date advances and state of the art techniques,
- ★ direct involvement with related problems,
- ★ contact with specialty suppliers and subcontractors, and
- ★ development of specialized solutions for other jobs.

For these reasons, we urge you to participate in the program and to add Incentive Clauses to your subcontracts to broaden your base of participation.

If you submit a Value Engineering Change Proposal and it is approved, the savings are shared between your firm (55%) and the Government (45%) after you are reimbursed for the allowable costs of developing and implementing the proposal.

Your potential for profit on the existing contract is not reduced.

Although most of the VECPs received by Reclamation are accepted, we recommend that before developing your VECP, you should:

- ★ Recognize that in order to qualify, a proposal must require a contract modification for implementation,
- ★ Discuss your proposal with the Contracting Officer's Representative (COR), the CO, or Regional Value Program Coordinator to assess the eligibility of your concept, and
- ★ Understand that if your proposal is not approved you lose your investment in developing and submitting the proposal.

Preparing the VECP

Proposals must be prepared in conformance with the VE Incentive Clause requirements (52.248-3(c)). Incomplete or sketchy proposals are the major cause of rejection or delay in processing and approval. A general format for a VECP submission

is available on our web site
(www.usbr.gov/pmts/valuprog/).

Your submission must include:

- ✓ A complete, concise description of what you propose to change and how you propose to make the change.
- ✓ A comparative listing of the advantages and disadvantages of the contract requirement and the proposed change.
- ✓ An itemization of the contract requirements that must be changed.
- ✓ An estimate of the performance costs that will be reduced if your VECP is adopted.
- ✓ An estimate of the operations, maintenance or equipment costs savings that your change would generate.
- ✓ An itemized accounting of development costs.
- ✓ A statement of the date by which your VECP must be approved by the Government.
- ✓ A cover letter submitting the VECP to the CO through the person responsible for overseeing your contract.

Your proposal will be expedited to ensure a timely decision that will not delay contract completion. Reclamation prides itself in the rapid handling of VECP's in order to meet the needs of the contract.

In any case, an answer to your proposal is required within 45 days.

Supplemental information that will enhance your VECP includes:

- ✓ Sketches or drawings of the proposal.
- ✓ Examples of previous applications of your proposal in similar situations.
- ✓ Documentation that supports your estimated savings.

If you are interested and/or have an idea for a proposal, contact your COR, CO or a value program representative. Reclamation has a Value Engineer in the Denver Office and a Regional Value Engineering Coordinator in each of its five regional offices who can be valuable resources for making your VECP successful.

For additional information on VECP's and Reclamation's Value Program call or write:

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